

CHAIRMAN'S STATEMENT

Management discussion and analysis

Despite difficult market conditions, I am pleased to report that Value Partners China Greenchip Fund Limited (the "Company") made a pre-tax profit of HK\$5.1 million on turnover of HK\$14.2 million, for the period from 16th January 2002 (date of incorporation) to 31st December 2002. Profit attributable to shareholders was HK\$4.3 million. The net asset value ("NAV") per share of the Company was HK\$10.02 as of 31st December 2002, up 2.2%¹ from 8th April 2002, when the Company started trading on the Hong Kong Stock Exchange.

The Company outperformed the Hang Seng Index (down 13.1%) and the MSCI China Free Index (down 12.1%) by 15.3 and 14.3 percentage points, respectively, from 8th April 2002 to 31st December 2002.

Most of the gains were made through investing in Hong Kong-listed, small-capitalization companies with business operations located on the Chinese mainland. The top five gainers of the Company were up from 23% to 100% from the day the shares were purchased to year-end 2002.

As of the end of 2002, 56% of the Company was invested in industrial companies, with their manufacturing bases in China and customers mainly in Europe and North America. These companies typically have a market capitalization of less than US\$200 million and are often not covered by brokerage houses and mainstream institution investors. Because of the lack of research coverage and liquidity, these companies tend to trade at a lower valuation.

In our view, these companies offer investors one of the best opportunities to benefit from China's economic growth.

Liquidity and financial resources

As at 31st December 2002, the Company had bank balances of HK\$14,711,909 and had no borrowing. The Board of Directors believes that the Company has sufficient financial resources to satisfy its commitments and working capital requirements.

Capital structure

Details of movements in the share capital of the Company during the period are set out in note 5 to the financial statements.

¹ Calculated based on the Company's NAV as at 31st December 2002, last valuation day in December, and the NAV as at 8th April, the day the Company was listed on The Stock Exchange of Hong Kong Limited. In determining the above NAVs, the investments are valued using their closing prices.

Value Partners China Greenchip Fund Limited

(Incorporated as an exempted company in Cayman Islands with limited liability)

CHAIRMAN'S STATEMENT (Continued)

Top ten available-for-sale securities

Name of investee company	Nature of business	Holdings	Cost HK\$	Market value HK\$	Dividend/ interest received HK\$	Dividend/ interest earned HK\$	% of net asset
Fong's Industries Co Ltd	Machinery	9,470,000	9,559,291	20,597,249	1,442,280	1,442,280	6.75%
Victory City International Holdings Ltd	Textile Mill Production	15,400,000	10,703,339	20,019,999	462,000	924,000	6.57%
PCCW – HKTC Capital Ltd 7.75% 15/11/2011	Telecom Services	US\$2,300,000	17,822,306	19,337,019	824,519	998,290	6.34%
Bright International Group Ltd	Manufacturing	19,998,000	15,454,202	19,198,079	2,009,880	2,009,880	6.30%
Skyworth Digital Holdings Ltd	Electrical Appliance	15,200,000	8,503,403	12,312,000	606,000	606,000	4.04%
Fountain Set (Holdings) Ltd	Manufacturing	2,658,000	8,008,976	11,296,499	-	-	3.71%
Brilliance China Automotive Holdings Ltd	Transportation Equipment	7,700,000	10,233,158	10,857,000	68,300	68,300	3.56%
Road King Infrastructure Ltd	Transport Services	3,044,000	9,896,450	10,806,199	302,080	302,080	3.54%
VS International Group Ltd	Rubber & Plastics	19,956,000	11,838,892	9,179,760	99,780	99,780	3.01%
Yue Yuen Industrial (Holdings) Ltd	Manufacturing	317,000	6,770,141	8,051,799	-	-	2.64%
			<u>108,790,158</u>	<u>141,655,603</u>	<u>5,814,839</u>	<u>6,450,610</u>	<u>46.46%</u>

Appreciation

We would like to thank Mr. Rodney Smyth and Mr. Michael Ng, who resigned as non-executive director and independent non-executive director in August and September last year, respectively. Both have made valuable contribution to the Company.

We would also like to take this opportunity to welcome Mr. Paul Theil and Mr. William Yeung to the Board. Paul and William are veterans of the financial industry. They bring to the Company years of experience and expertise.

Chung David Kuohsien
Chairman

Hong Kong, 4th April 2003